

October 11, 1999

TO: Senator Sid Snyder, Chairman
Senator Dan McDonald
Representative Hans Dunshee
Representative Brian Thomas
Fred Kiga, Director Department of Revenue
Dick Thompson, Office of Financial Management

FROM: Chang Mook Sohn, Executive Director

SUBJECT: OCTOBER 10, 1999 REVENUE COLLECTION REPORT

General Fund receipts were \$7.7 million less than expected in the September 11- October 10 collections period. Revenue Act taxes, (sales, B&O use, public utility and tobacco products taxes), the state's major excise taxes, were \$10.3 million below the estimate for the month accounting for more than the total \$7.7 million shortfall. Lottery sales and transfers were also weaker than expected. Estate tax, real estate excise tax and cigarette tax payments were above the forecast for the month offsetting some of the lottery and Revenue Act shortfall. Although tax payments in the September 11- October 10 collection period were \$7.7 million less than expected, **the shortfall was entirely due to the issuance of an unusually large tax refund.** Economic fundamentals remain strong and revenue is growing a littler faster than expected excluding special factors. Without the refund this month, General Fund receipts would have been \$17.3 million higher than expected and Revenue Act taxes would have been \$14.7 million above the estimate.

Revenue Act collections in the current collection period (primarily August 1999 business activity) were 3.6 percent higher than a year-ago. However, on a comparable basis (adjusting for this month's large refund and tax law changes) Revenue Act receipts were up a very strong 8.9 percent from the year-ago period. This was nearly triple last month's 3 percent increase. The month's strong performance is consistent with strong consumer spending nationally and strong construction activity at the state level. Revenue Act

growth is now 6.9 percent for the calendar year-to-date. Although the refund for overpayment of prior years taxes resulted in less net Revenue Act payments this month, taxable activity is growing faster than we have assumed. We still expect revenue growth to slow as the impact of declining aerospace employment weakens state income and employment growth. However, as of yet, there are no signs of sustained slowing.

Preliminary tax payment data based on August business activity showed double digit growth in contract construction, manufacturing, transportation, communications and utilities and the wholesaling sector. The retailing sector continued to grow, but for the first time in several months, tax payments from retailers grew less than the total for all industries.

Other General Fund taxes collected by the Department of Revenue were \$7.0 million above the estimate for the month. Stronger than expected estate, real estate taxes and cigarette tax payments more than offset a little weaker than expected liquor and property tax payments. Real estate activity continued to rebound in August. (Closings in August generate tax payments to the state in September). August taxable real estate activity was 6.8 percent above the year-ago level, a little better than the 5.9 percent growth in July. As of June, real estate activity had been up only 3.7 for the year-to-date. August saw a 4.6 increase in the number of transactions statewide as well as in the average price per transactions. However, transactions were weak in July and are up only 0.8 percent for the year-to-date. Despite the improvement in the last couple of months, real estate activity is also expected to slow as interest rates creep up and employment growth slow.

Other agencies' General Fund collections were \$4.3 million below the forecast for the month. General Fund collections by the Department of Licensing were \$141,000 less than expected in September. Lottery sales remain weak with September transfers to the General Fund \$4.2 million less than the forecast.

The attached table 1 provides a comparison of collections with estimates for the current midmonth period, September 11- October 10, and cumulatively since the September forecast. Note, the cumulative variance since the last forecast shown in Table 1 is virtually the same as the shortfall for the current month because the monthly estimates based on the September forecast reflect actual collections through September 10, 1999. Table 2 compares revised collection figures to the preliminary numbers reported in last month's midmonth report.

TABLE 1
Revenue Collection Report
October 10, 1999 Collection Report - Based on the September 1999 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
September 11 - October 10, 1999				
Department of Revenue-Total	\$663,229	\$659,874	(\$3,355)	-0.5%
Revenue Act** (1)	600,492	590,178	(10,314)	-1.7%
Non-Revenue Act(2)	62,737	69,696	6,959	11.1%
Liquor Sales/Liter	6,864	6,703	(161)	-2.3%
Cigarette	5,166	6,380	1,214	23.5%
Property (State School Levy)	7,382	7,365	(17)	-0.2%
Estate	5,527	7,843	2,315	41.9%
Real Estate Excise	34,083	36,941	2,859	8.4%
Timber (state share)	0	0	0	NA
Other	3,716	4,465	749	20.2%
Department of Licensing (2)	1,395	1,255	(141)	-10.1%
Lottery (2)	10,777	6,619	(4,158)	-38.6%
Total General Fund-State***	\$675,402	\$667,748	(\$7,653)	-1.1%
Cumulative Variance Since the September Forecast (September 11 - October 10, 1999)3				
Department of Revenue-Total	\$663,229	659,874	(3,355)	-0.5%
Revenue Act** (3)	600,492	590,178	(10,314)	-1.7%
Non-Revenue Act(4)	62,737	69,696	6,959	11.1%
Liquor Sales/Liter	6,864	6,703	(161)	-2.3%
Cigarette	4,740	6,380	1,639	34.6%
Property (State School Levy)	7,382	7,365	(17)	-0.2%
Estate	5,818	7,843	2,025	34.8%
Real Estate Excise	34,045	36,941	2,897	8.5%
Timber (state share)	0	0	0	NA
Other	3,889	4,465	576	14.8%
Department of Licensing (4)	1,395	1,255	(141)	-10.1%
Lottery (4)	10,777	6,619	(4,158)	-38.6%
Total General Fund-State***	\$675,402	\$667,748	(\$7,653)	-1.1%

1 Collections September 11 - October 10, 1999. Collections primarily reflect August 1999 activity of monthly taxpayers.

2 September 1-30, 1999 collections.

3 Cumulative collections, estimates and variance since the September forecast; (September 11 - October 10, 1999) and revisions to history.

4 Cumulative collections, estimates and variance since the September forecast; (September 1999 and revisions to history.)

* Based on the September 1999 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue, the Department of Licensing and the Lottery Commission, about 97% of total General Fund-State.

TABLE 2
September 10, 1999 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
August 11- September 10, 1999				
Department of Revenue-Total	\$677,807	\$677,807	(\$0)	-0.0%
Revenue Act (1)	597,636	597,636	(0)	-0.0%
Non-Revenue Act(2)	80,171	80,171	(0)	-0.0%
Liquor Sales/Liter	7,270	7,270	(0)	-0.0%
Cigarette	6,150	6,150	(0)	-0.0%
Property (State School Levy)	7,457	7,457	0	0.0%
Estate	5,635	5,635	(0)	-0.0%
Real Estate Excise	40,243	40,243	(0)	-0.0%
Timber (state share)	5,470	5,470	0	NA
Other	7,946	7,946	0	0.0%
Department of Licensing (2)	2,106	2,106	(0)	-0.0%
Lottery (2)	7,452	7,452	(0)	-0.0%
Total General Fund-State***	\$687,364	\$687,364	\$0	0.0%

Cumulative Variance: 11 - September 10, 1999 & Revisions to History

Department of Revenue-Total	2,537,927	\$2,537,927	\$0	0.0%
Revenue Act (3)	1,993,323	1,993,323	(0)	-0.0%
Non-Revenue Act(4)	544,605	544,605	(0)	-0.0%
Liquor Sales/Liter	20,285	20,285	0	0.0%
Cigarette	18,447	18,447	0	0.0%
Property (State School Levy)	331,679	331,679	(0)	-0.0%
Estate	15,621	15,621	0	0.0%
Real Estate Excise	113,755	113,755	(0)	-0.0%
Timber (state share)	5,470	5,470	0	NA
Other	39,348	39,347	(1)	-0.0%
Department of Licensing (4)	21,381	21,380	(1)	-0.0%
Lottery (4)	23,476	23,475	(1)	-0.0%
Total General Fund-State***	2,582,784	\$2,582,782	(\$2)	-0.0%

P-Preliminary. Reported in the September 10, 1999 collection report.

R Revised data.

1 Collections August 11 - September 10, 1999. Collections primarily reflect July 1999 business activity of monthly taxpayers.

2 August 1-31, 1999 collections.

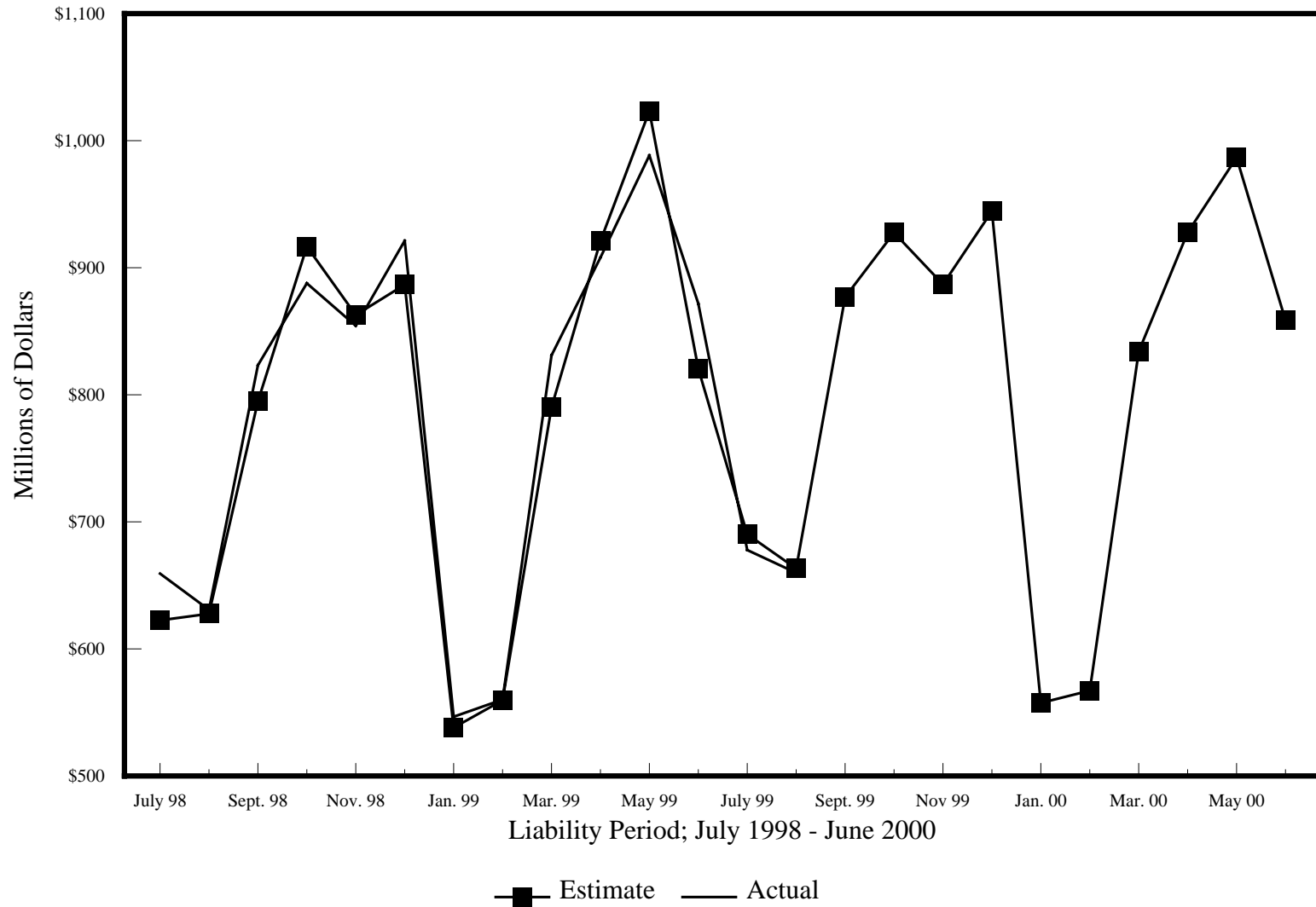
3 Cumulative variance for since the June forecast: June 11 - September 10, 1999, & revisions to history.

4 Cumulative variance: since the June forecast (June - August 1999) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

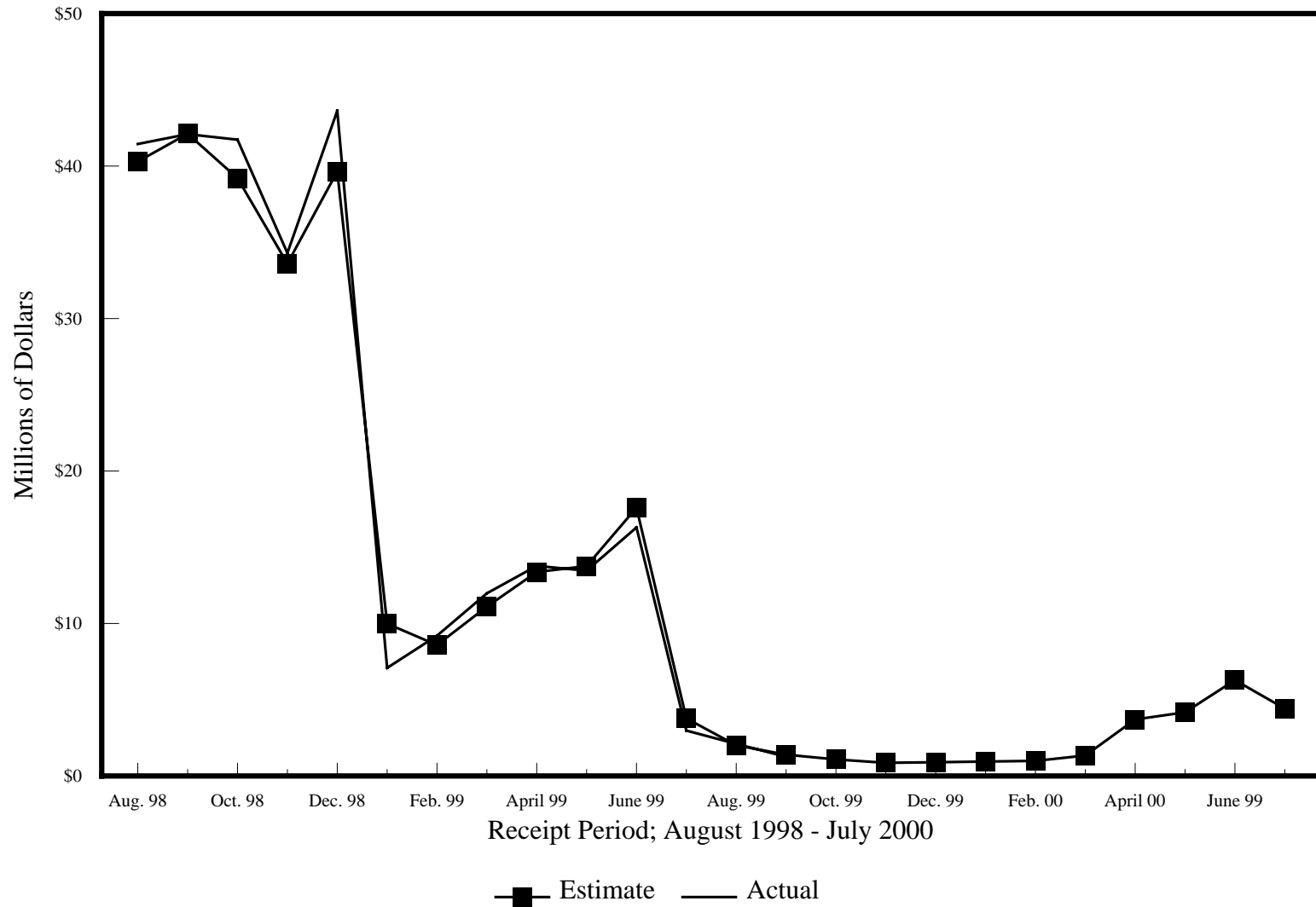
Department of Revenue: General Fund-State, Actual vs. Estimate

July 98 to June 2000



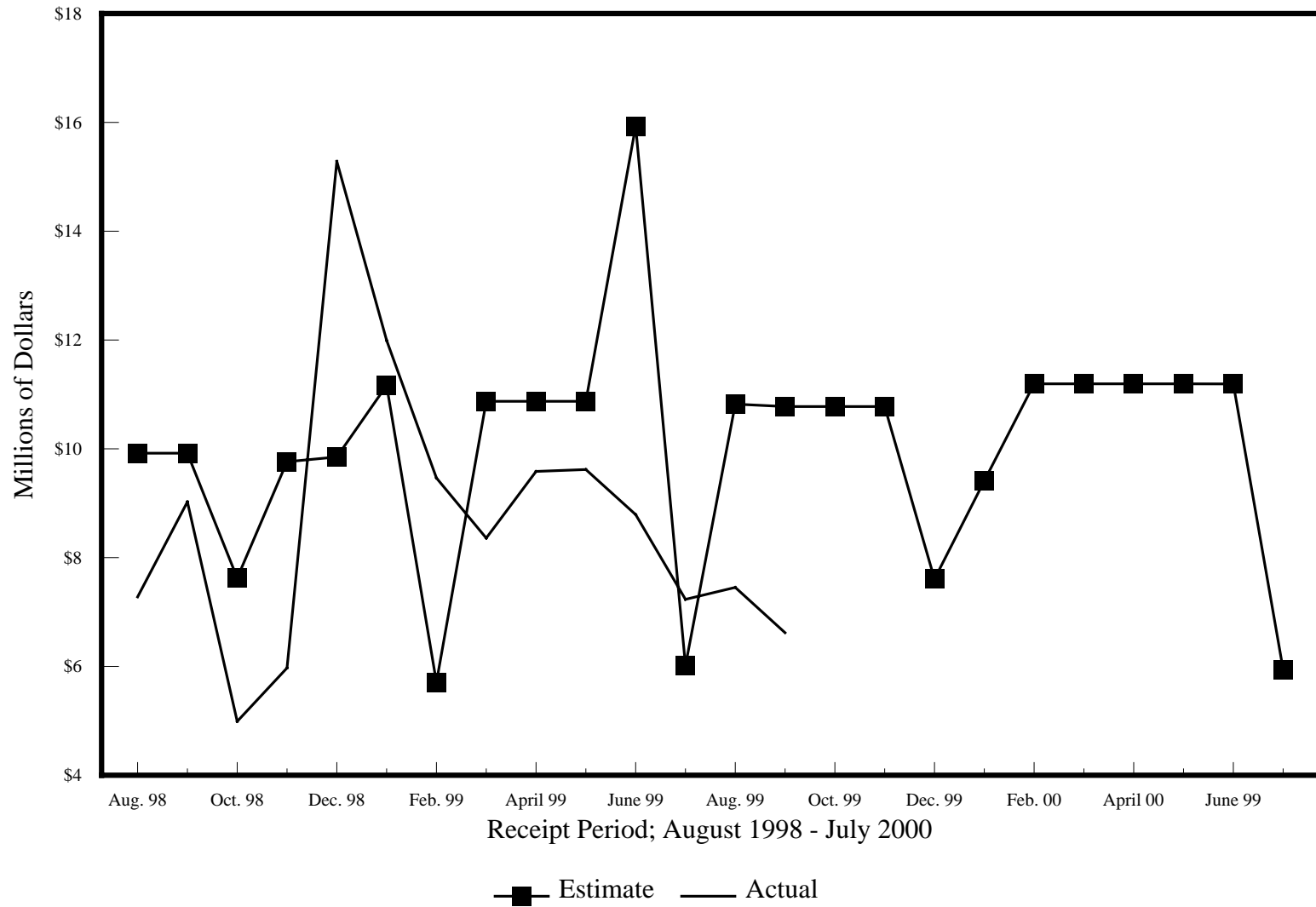
Department of Licensing General Fund-State, Actual vs. Estimate

August 98 to July 2000



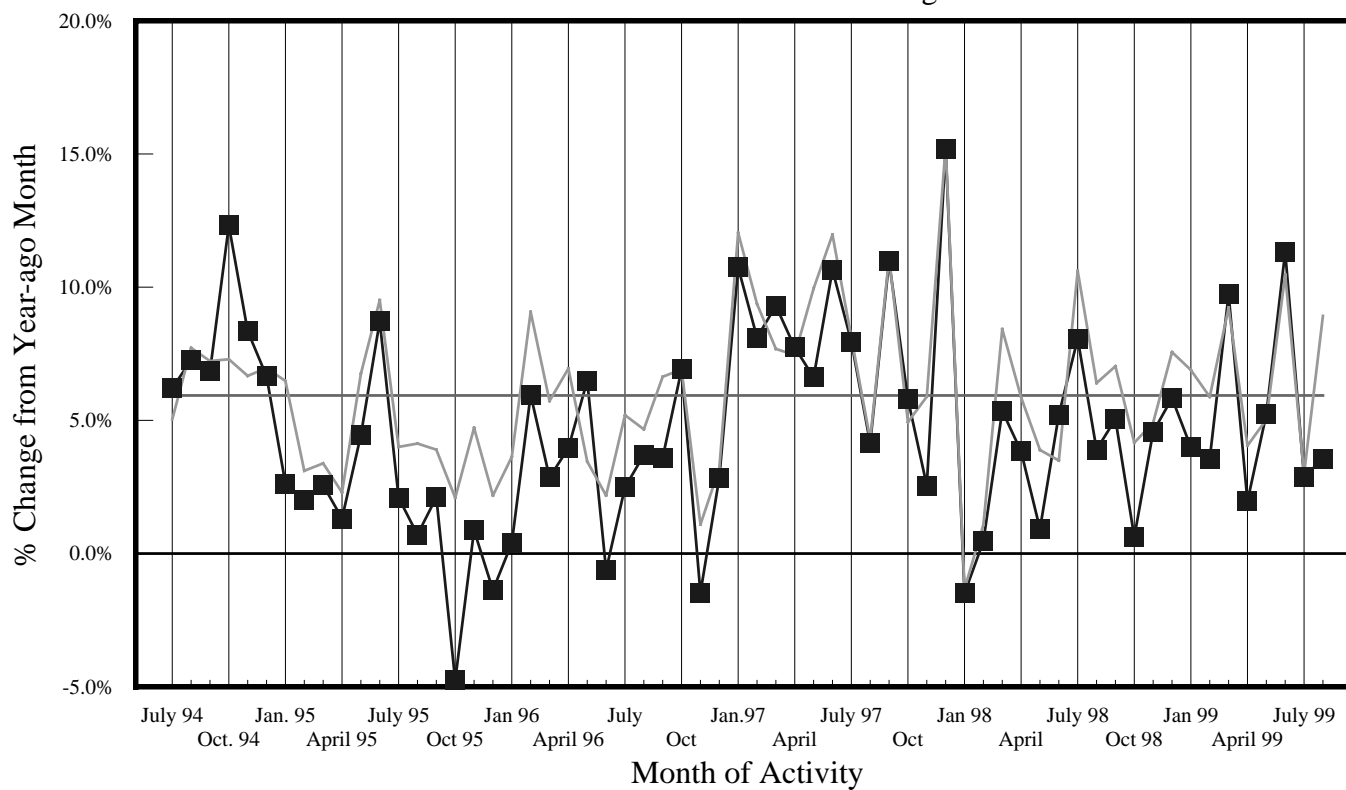
Lottery General Fund-State Transfers, Actual vs. Estimate

August 98 to July 2000



Revenue Act Net Collections

Year-over-Year Percent Change



■ %CH from year-ago month

— Ave. Growth fys: 95-98: 5.9% (Adj.for Legislation)

— % Change from year-ago, adjusted for large audits & legislation